



Office of The Attorney General
State of Connecticut

TESTIMONY OF
ATTORNEY GENERAL RICHARD BLUMENTHAL
BEFORE THE ENERGY AND TECHNOLOGY COMMITTEE
FEBRUARY 24, 2009

I appreciate the opportunity to support House Bill 6510, An Act Establishing a Public Power Authority.

This proposal would create the Connecticut Power Authority -- a concept I first proposed and advocated in 2006 for a state agency to purchase electricity for residential and business customers, finance and own our selected power plants and to create efficiency measures to lower electricity costs for Connecticut consumers. The CPA would buy electricity for our residential and business users -- taking advantage of bulk purchases, innovative investments and creative procurement policies. All Authority incentives and purchases shall be consistent with a statewide comprehensive conservation/generation plan developed by consumers, environmental advocates, state agencies, businesses and utilities.

Connecticut currently pays the highest electricity rates in the continental United States. The Authority would potentially reduce electricity rates by up to 20% at no cost to taxpayers.

A recent report to the AARP by electricity industry expert, Robert McCullough, supports the creation of a Connecticut Power Authority to bring true rate relief. As the report notes, Connecticut ratepayers have been imprisoned by an electricity auction system developed by ISO-New England. Under this dysfunctional auction system, electricity generators often offer their electricity supply at rates of \$999 per megawatt/hour and above even though their costs are less than \$100 per megawatt/hour. Long term rate relief for consumers can only be achieved through a single-minded state agency whose goal is to reduce electricity consumption, develop bi-lateral contracts with existing suppliers at huge savings to ratepayers and spur construction of additional electricity sources.

A Connecticut Power Authority would be transparent and accountable -- fully bound by the Freedom of Information Act compared to the present secret, unaccountable process. The legislation would assure public review and scrutiny of electricity procurement.

Modeled after the Illinois Power Authority and other state agencies -- non-profit independent agencies that have broad powers to invest in generation as well as buy power and encourage conservation and efficiency, it can succeed in cutting and containing spiraling electricity rates.

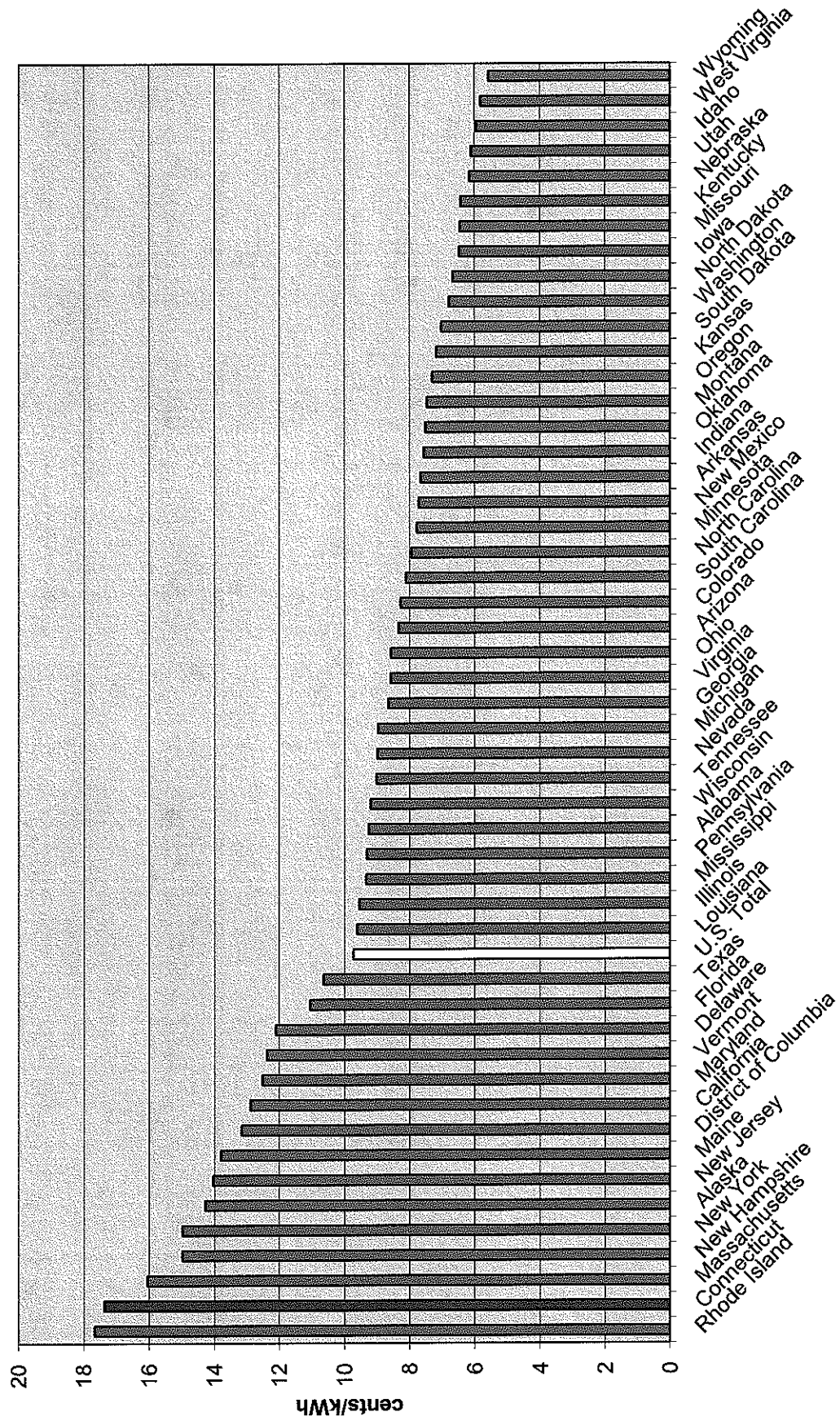
The electricity would still be distributed to customers by UI and CL&P. These utilities would maintain distribution and transmission facilities as they currently do and could potentially operate some of the electricity generating plants under strict regulatory control.

In addition, the Authority would have bonding authority to enable low cost financing to develop new generation sources. In return for those financial incentives, the Authority would have the right to purchase electricity for residential and business customers at low cost. These contracts would reduce our exposure to electricity middlemen -- banks and hedge funds -- and flawed pricing policies of the Federal Energy Regulatory Commission that require payment of the highest prices bid for electricity.

The Authority would establish and coordinate all state programs that reduce electricity usage through conservation and efficiency and programs to encourage use of renewable sources of electricity.

The Connecticut Power Authority will provide long-term rate relief, providing consumers -- residential, commercial and industrial -- with a much needed break from some of the highest electricity rates in the nation.

Continental US States' Average Electric Price Nov. 2008
EIA data



CL&P Standard Service vs. National Average Electric Rate

